

**REPORT OF THE AUDIT OF THE  
TAYLOR COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
[www.kyauditor.net](http://www.kyauditor.net)**

**144 CAPITOL ANNEX  
FRANKFORT, KY 40601  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



**EXECUTIVE SUMMARY**  
**AUDIT EXAMINATION OF THE**  
**TAYLOR COUNTY SHERIFF**

**For The Year Ended**  
**December 31, 2002**

The Auditor of Public Accounts has completed the Taylor County Sheriff's audit for the year ended December 31, 2002. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

**Financial Condition:**

During 2002, excess fees of \$12,699 were earned by the Taylor County Sheriff's office. On June 27, 2003, Taylor County Fiscal Court allowed the Sheriff to apply 2002 excess fees for the purchase of vehicles and equipment.

**Deposits:**

The Sheriff's deposits were insured and collateralized by bank securities or bonds.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES.....	3
NOTES TO FINANCIAL STATEMENT .....	6
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	11





**EDWARD B. HATCHETT, JR.**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Paul Patton, Taylor County Judge/Executive  
Honorable John E. Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Sheriff of Taylor County, Kentucky, for the year ended December 31, 2002. This financial statement is the responsibility of the County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Sheriff for the year ended December 31, 2002, in conformity with the modified cash basis of accounting.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gordon C. Duke, Secretary  
Finance and Administration Cabinet  
Dana Mayton, Secretary, Revenue Cabinet  
Honorable Paul Patton, County Judge/Executive  
Honorable John E. Shipp, Taylor County Sheriff  
Members of the Taylor County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 10, 2003, on our consideration of the County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 10, 2003



TAYLOR COUNTY  
JOHN E. SHIPP, COUNTY SHERIFF  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Year Ended December 31, 2002

Receipts

Federal Grants		\$	63,239
State Fees For Services:			
Finance and Administration Cabinet	\$	23,665	
Cabinet For Human Resources		412	
Marijuana Task Force		565	
Kentucky Law Enforcement Foundation			
Program Fund		<u>29,650</u>	54,292
Circuit Court Clerk:			
Sheriff Security Service	\$	4,675	
Fines and Fees Collected		<u>6,176</u>	10,851
Fiscal Court			142,434
County Clerk - Delinquent Taxes			1,074
Commission On Taxes Collected			196,096
Fees Collected For Services:			
Auto Inspections	\$	12,825	
Accident and Police Reports		2,049	
Carrying Concealed Deadly Weapon Permits		5,295	
Serving Papers		19,184	
Lake Patrol		22,839	
Transporting Mental Patients		9,038	
Summons Fees		<u>9,230</u>	80,460
Other:			
Sheriff's Tax and Penalty Fees		27,296	
Miscellaneous		<u>3,970</u>	31,266
Interest Earned			4,625
Borrowed Money:			
State Advancement	\$	90,000	
Bank Note		<u>90,000</u>	180,000
Total Receipts		\$	764,337

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
 JOHN E. SHIPP, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Disbursements

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 253,122
Part-Time Salaries	73,230
Overtime	5,755

Employee Benefits-

Employer's Share Retirement	4,151
Employer Paid Health Insurance	40,233

Contracted Services-

Advertising	134
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Materials and Supplies-

Office Materials and Supplies	5,490
Uniforms	4,493

Auto Expense-

Gasoline	16,281
Maintenance and Repairs	10,561
Mileage	3,634

Other Charges-

Training	5,302
Carrying Concealed Deadly Weapon Permits	3,890
Drug Dog	577
Law Enforcement	8,520
Cellular Phone	1,203
Summons to County	9,230
Transporting Prisoners	1,348
Sheriff's Sales	76
Dues	568
Postage	244

Capital Outlay-

Office Equipment	699
Vehicles	116,528
Vehicle Equipment	7,698

The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
 JOHN E. SHIPP, COUNTY SHERIFF  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 For The Year Ended December 31, 2002  
 (Continued)

Disbursements (Continued)

Debt Service:

State Advancement	\$	90,000	
Note Repayment		20,000	
Interest		<u>483</u>	

Total Disbursements			\$	683,450
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Net Receipts			\$	80,887
Less: Statutory Maximum and Training Incentive				<u>68,188</u>

Excess Fees Due County for 2002			\$	12,699
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Fiscal Court Approved Payments to 2003 Sheriff Fee Account (Note 7):

January 8, 2003	\$	6,500	
January 29, 2003		5,000	
July 10, 2003		<u>1,199</u>	<u>12,699</u>

Balance Due County			\$	<u><u>0</u></u>
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The accompanying notes are an integral part of this financial statement.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2002

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2002.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2002  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2002, the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

Note 4. Note Payable

The Office of the County Sheriff is liable for an unsecured note payable to Citizens National Bank in the amount of \$70,000. The purpose of the note was the purchase of vehicles. The note matures December 31, 2003 with an interest rate of 3.5 percent. The Sheriff was in compliance with the terms of the agreement as of December 31, 2002.

Note 5. Deferred Compensation

The Taylor County Sheriff's Department participates in a deferred compensation plan administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by full time employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

TAYLOR COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2002  
(Continued)

Note 6. Investigation Fund

As of January 1, 2002, the Sheriff had a balance of \$8,713 in his forfeited drug account and received an additional \$6,015 during the year. Pursuant to the Taylor County District Court Order, these receipts are to be used in drug-related law enforcement. During the year, the Sheriff expended \$5,272. The balance as of December 31, 2002 was \$9,456.

Note 7. Excess Fees

During calendar year 2002, excess fees of \$12,699 were due to Taylor County Fiscal Court. On June 27, 2003, Taylor County Fiscal Court approved to waive 2002 excess fees due to the County and allow the Sheriff to apply 2002 excess fees to the purchase of vehicles and equipment.

REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







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Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the Taylor County Sheriff for the year ended December 31, 2002, and have issued our report thereon dated July 10, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Taylor County Sheriff's financial statement for the year ended December 31, 2002, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Taylor County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -

